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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS
(LAKAH GROUP), S.A.E.**

**CONSOLIDATED INCOME STATEMENT
for the period from January 1, 1999 to June 30, 1999**

| | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | Proforma 31-12-98 L.E. |
|--|--------------------------|---------------------------|--------------------------|------------------------------|
| Net Sales | 218,862,540 | 744,132,637 | 674,363,025 | 649,908,794 |
| Less | | | | |
| Cost of Sales..... | (143,968,929) | (489,494,360) | (450,768,617) | (439,003,194) |
| Gross Profit | <u>74,893,611</u> | <u>254,638,277</u> | <u>223,594,408</u> | <u>210,905,600</u> |
| Less | | | | |
| General and Administrative Expenses..... | 13,005,745 | 44,219,534 | 40,239,567 | 40,239,567 |
| Financing Expenses | 10,967,098 | 37,288,132 | 57,929,846 | 57,929,846 |
| Depreciation and Amortization..... | 3,738,834 | 12,712,034 | 1,495,703 | 1,495,703 |
| Foreign Exchange Loss..... | 43,264 | 147,096 | 353,010 | 353,010 |
| Provision for Doubtful Debts..... | 1,894,588 | 6,441,599 | 4,997,615 | 4,997,615 |
| Total Expenses | <u>29,649,528</u> | <u>100,808,395</u> | <u>105,015,741</u> | <u>105,015,741</u> |
| Net Profit for the Period before Minority Interest and Income Taxes | 45,244,083 | 153,829,882 | 118,578,667 | 105,889,859 |
| Minority Interest | (980,408) | (3,333,386) | (4,368,275) | (4,219,614) |
| Provision for Income Taxes | (10,678,768) | (36,307,810) | (20,980,046) | (15,650,747) |
| Net Profit for the Period | <u>33,584,908</u> | <u>114,188,686</u> | <u>93,230,346</u> | <u>86,019,498</u> |
| Earnings per Share | 0.22 | 0.76 | 0.81 | 0.75 |

*Note: Solely for the convenience of the reader, the Egyptian pounds into U.S. Dollars translation has been made at the rate of
U.S.\$1.00 = L.E.3.40*

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS
(LAKAH GROUP), S.A.E.**

**CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1, 1999 to June 30, 1999**

| | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. |
|---|---------------------|----------------------|------------------------|
| Cash Flows from Operating Activities | | | |
| Net Profit after Taxes | 33,584,908 | 114,188,686 | 93,230,346 |
| Adjustments for — | | | |
| Depreciation and Amortization | 7,250,937 | 24,653,185 | 1,495,703 |
| Minority Interest | 980,408 | 3,333,386 | 4,368,275 |
| Provisions | 10,678,768 | 36,307,810 | 20,980,046 |
| Provision for Doubtful Accounts..... | 1,894,588 | 6,441,599 | 4,997,615 |
| Net Profit before Working Capital Changes — | 54,389,608 | 184,924,666 | 125,071,985 |
| Increase in Inventory | (30,908,054) | (105,087,383) | (194,697,123) |
| Increase in Work in Progress..... | (18,719,473) | (63,646,209) | (109,353,565) |
| Decrease in Debtors — Short Term Balances..... | 137,013 | 465,845 | (511,389,846) |
| Decrease in Creditors — Short Term | (42,738,119) | (145,309,603) | 178,828,069 |
| Decrease in Other Credit Balances..... | 423,898 | 1,441,253 | 12,933,747 |
| Decrease in Due to Banks | (14,118,845) | (48,004,072) | 171,858,623 |
| Increase in Accounts Receivables | (4,537,914) | (15,428,909) | (167,640,320) |
| Decrease in Provisions | (1,529,983) | (5,201,943) | 1,702,618 |
| Net Cash (used in) Operating Activities..... | <u>(57,601,869)</u> | <u>(195,846,355)</u> | <u>(492,685,812)</u> |
| Cash Flows from Investing Activities | | | |
| Purchase of Fixed Assets | (20,059,429) | (68,202,059) | (395,748,796) |
| Change in Projects under Construction..... | 36,166,570 | 122,966,339 | (164,982,129) |
| Change in Goodwill | (5,061,914) | (17,210,509) | (341,250,506) |
| Change in Deferred Expenses..... | — | — | (38,711,546) |
| Increase in Long Term Investment | (19,681,486) | (66,917,051) | (262,135,125) |
| Net Cash (used in) Investing Activities..... | <u>(8,636,259)</u> | <u>(29,363,280)</u> | <u>(1,202,828,102)</u> |
| Cash Flows from Financing Activities | | | |
| Increase in Paid-in Capital | 10,294,118 | 35,000,000 | 1,149,880,000 |
| Decrease in Long Term Loan..... | (23,075,139) | (78,455,472) | 224,917,977 |
| Proceeds from Bonds | 117,647,059 | 400,000,000 | 250,000,000 |
| Change in Minority Interest..... | (6,443,437) | (21,907,685) | 38,973,726 |
| Decrease in Creditors — Long Term Balances | (3,958,574) | (13,459,153) | 13,459,153 |
| Payment of Current Portion of Long Term Debt | 2,235,045 | 7,599,153 | 36,448,677 |
| Net Cash Provided by Financing Activities..... | <u>96,699,071</u> | <u>328,776,843</u> | <u>1,713,679,533</u> |
| Net Increase in Cash and Cash Equivalents | 30,460,944 | 103,567,208 | 18,165,619 |
| Cash in Hand and at Banks at the Beginning of Period..... | 5,342,829 | 18,165,619 | — |
| Cash in Hand and at Banks at the End of Period..... | <u>35,803,773</u> | <u>121,732,827</u> | <u>18,165,619</u> |

Note: Solely for the convenience of the reader, the Egyptian pounds into U.S. Dollars translation has been made at the rate of
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Holding Company for Financial Investments (Lakah Group), S.A.E.**NOTES TO THE CONSOLIDATED FINANCIAL POSITION
For the period from January 1, 1999 to June 30, 1999****1 — The Company**

The Holding Company for Financial Investments (Lakah Group) S.A.E. was incorporated in Egypt on November 29, 1998 under Law No. 95 of 1992 and its regulations. The purpose of the company is to participate in the formation of companies using securities, or increasing their capital. The company is allowed to form or join with other companies operating in any business field, and companies that help such companies achieve their target, inside or outside Egypt. Also the company is allowed to merge with or acquire existing companies according to the companies operating procedures.

The company's first legal financial positions are to be prepared for the period from November 29, 1998 to December 31, 1999.

At June 30, 1999, the Holding Company for Financial Investments S.A.E., hereunder called the Parent Company, owns the following consolidated subsidiaries:

| | % of Shares |
|---|-------------|
| Trading Medical Systems Egypt — S.A.E. | 97.60% |
| Medequip for Trading and Contracting — S.A.E. | 97.80% |
| Amitrade for Commerce and Contracting — S.A.E. | 97.02% |
| Industrial Investment Company — S.A.E. | 97.98% |
| Arab Steel Factory — S.A.E. | 97.92% |
| Industrial Consumer Company — S.A.E. | 97.95% |
| Quest Consult — S.A.E. | 97.46% |
| Medical Centers Management — S.A.E. | 97.98% |

2 — Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial position are set out below.

2 — 1 Foreign Currency Translation

The subsidiaries accounts are maintained in Egyptian pounds. Transactions denominated in foreign currencies were translated at the prevailing exchange rates as at June 30, 1999 declared by the free foreign exchange market.

At the financial position date, assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. The exchange differences are recorded in the Income Statement.

2 — 2 Basis of preparing the financial position:

The financial positions of the subsidiaries are prepared according to the Egyptian Accounting Standards. The consolidated financial position is prepared according to the International Accounting Standards. The Parent Company's financial position includes the balances of assets and liabilities of the nine companies as at June 30, 1999, as well as sales, cost of sales and operating expenses for the period from January 1, 1999 to June 30, 1999. Except for the ICC, which capitalized all expenses, listed as (Deferred Expenses) in the financial position.

2 — 3 Principles of Consolidation

The consolidated financial position includes all subsidiaries controlled by the Parent Company. The basis of the consolidation is as follows:

- All intergroup balances and transactions are eliminated.
- Minority interest represents equity held by other shareholders in subsidiaries controlled by the Parent Company. It appears as a separate item in the consolidated financial position and is calculated as net assets and results of operations of Subsidiaries attributable to interest, which are not owned, directly or indirectly by the Parent Company.

Holding Company for Financial Investments (Lakah Group), S.A.E.

- The cost of acquisition is allocated as follows:
 - a) The fair value of the assets and liabilities acquired as of the date of the exchange to the extent of the Parent Company's interest obtained in the exchange transactions.
 - b) The excess of the cost of acquisition over the Parent Company's interest in the fair value of the identifiable assets and liabilities acquired as of the date of acquisition is recognized as goodwill and amortized over the period of 20 years starting from January 1, 1999.
 - c) The excess of the Parent Company's interest in the fair value of the identifiable assets and liabilities at the date of acquisition over the acquisition cost is recognized as a negative goodwill and amortized over a period of 20 years starting from January 1, 1999.
 - d) Affiliates of subsidiaries owned by more than 50% and controlled by the subsidiaries are consolidated on the same basis.

2 — 4 Inventories

Inventories of raw material spare parts and supplies are stated at cost. Inventories of finished goods are stated at the lower of cost and net realizable value. Cost is determined by using the average cost method.

2 — 5 Long-Term Investments

Long-Term Investments in companies, which are not controlled by the Parent Company, are recorded at actual cost at the date of acquisition.

2 — 6 Fixed Assets and Depreciation

Fixed Assets are recorded at the historical cost and are depreciated by the straight-line method over the estimated productive life for each type of asset at the following annual rates:

| | |
|--------------------------------------|------------|
| Buildings and Construction..... | 2.5% – 10% |
| Machinery and Equipment..... | 5% – 10% |
| Vehicles..... | 20% – 25% |
| Tools and Supplies..... | 10% – 20% |
| Furniture and Office Equipment | 10% – 25% |

2 — 7 Deferred Expenses

Deferred Expenses represent corporate establishment and pre-operating expenses. These expenses are amortized using the straight-line method over a five-year period (20%) starting from the first financial year.

2 — 8 Cash Flow Statement

Cash Flow Statement is prepared using the indirect method.

2 — 9 Taxation

A tax provision is formed to meet tax obligations based on detailed studies for each claim. Due to the nature of the Egyptian tax laws and legislation, applying the principles of the deferred taxes according to the International Accounting Standards "Taxes on Income", will not usually result in any material deferred tax liabilities. Further, if the application results in deferred tax, assets will be recognized in the financial position whenever there is a sufficient assurance that these assets will be realized in the foreseeable future.

3 — Cash and Cash Equivalent:

Cash and Cash Equivalent as of June 30, 1999 amounting to L.E.121,732,827 represent the following:

| | L.E. | U.S.\$ |
|--|--------------------|-------------------|
| Banks Current Accounts | 57,470,032 | 16,902,951 |
| Cash in Hand..... | 1,543,668 | 454,020 |
| Bank Deposit..... | 62,381,557 | 18,347,517 |
| Letters of Guarantee (Cash Margins)..... | 337,570 | 99,285 |
| | 121,732,827 | 35,803,773 |

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Holding Company for Financial Investments (Lakah Group), S.A.E.**4 — Debtors — Short Term Balances:**

Debtors Short Term balances as of June 30, 1999 amounting to L.E.499,484,787 represent the following:

| | L.E. | U.S.\$ |
|-------------------------------------|--------------------------|--------------------------|
| Letters of Credit..... | 3,280,000 | 964,706 |
| Accounts Receivables | 246,520,399 | 72,506,000 |
| Lease Receivables..... | 28,199,407 | 8,293,943 |
| Debtors | 104,510,807 | 30,738,473 |
| Suppliers Debit Balances | 74,597,671 | 21,940,492 |
| Letters of Guarantee | 6,461,894 | 1,900,557 |
| Other Debit Balances | 29,521,933 | 8,682,921 |
| Cheques under Collection | 17,913,298 | 5,268,617 |
| | <hr/> 511,005,409 | <hr/> 150,295,709 |
| Less — Provision for Doubtful Debts | <hr/> (11,520,622) | <hr/> (3,388,419) |
| | <hr/> <u>499,484,787</u> | <hr/> <u>146,907,290</u> |

5 — Inventory:

Inventory Balance as of June 30, 1999 amounting to L.E.299,784,506 represents the following:

| | L.E. | U.S.\$ |
|------------------------------|--------------------------|-------------------------|
| Raw-Material and Scrap | 137,691,490 | 40,497,497 |
| Supplies | 6,915,151 | 2,033,868 |
| Space Parts | 61,492,606 | 18,086,061 |
| Packing Materials..... | 1,010,190 | 297,115 |
| Work in Progress | 45,813 | 13,474 |
| Medical Equipment..... | 42,456,948 | 12,487,338 |
| Finished Goods | 17,207,363 | 5,060,992 |
| Goods in Transit..... | 32,964,945 | 9,695,572 |
| | <hr/> <u>299,784,506</u> | <hr/> <u>88,171,914</u> |

6 — Accounts Receivable — Long Term:

Accounts Receivable — Long Term represents Lease Receivables for Medical Equipment amounting to L.E.183,069,229 for more than one year. An additional portion, due in 1999 amounting to L.E.28,199,407 are included in the Current Assets — Debtors' Short-Term Balances.

7 — Long Term Investments:

Long Term Investments Balance as of June 30, 1999 amounting to L.E.329,052,176 represents the following:

| Associated Companies: | Investment Ratio % | L.E. | |
|---|--------------------------|--------------------------|-------------------------|
| | | L.E. | U.S.\$ |
| Suez Company for Iron Works — <i>Egyptian Joint Stock Co.</i> | 49% | 53,628,173 | 15,772,992 |
| Total Associated Companies | | <hr/> <u>53,628,173</u> | <hr/> <u>15,772,992</u> |
| Other Companies: | | | |
| Arab Cast Iron & Steel Products Factory — <i>Egyptian Joint Stock Co.</i> | 49% | 124,000,000 | 36,470,588 |
| International Co. For Producing Modern Pipes and Fittings (RIGO) S.A.E.... | | <hr/> 3,000,000 | <hr/> 882,353 |
| Tanta Scan Co. | 10.8% | 541,160 | 159,165 |
| Incolease Co. | 9% | 1,800,000 | 529,412 |
| Helio Medical Co. | 46.89% | 65,082,843 | 19,142,013 |
| Total Other Companies | | <hr/> 194,424,003 | <hr/> 57,183,530 |
| Detergent Factory — Industrial Investment Company — <i>Egyptian Joint Stock Co.</i> * | | <hr/> 81,000,000 | <hr/> 23,823,529 |
| Grand Total..... | | <hr/> <u>329,052,176</u> | <hr/> <u>96,780,052</u> |

* The factory is rented to a third party (Newlit)

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Holding Company for Financial Investments (Lakah Group), S.A.E.**8 — Fixed Assets (Net):**

Fixed Assets (Net) as of June 30, 1999 amounting to L.E.451,924,840 comprise the following:

| | Land L.E. | Build. & Cons. L.E. | Mach. & Equip. L.E. | Tools & Supp. L.E. | Furn. & Off. Equip. L.E. | Vehicles L.E. | Total L.E. |
|---|--------------|---------------------------|---------------------------|--------------------------|-----------------------------------|------------------|---------------|
| Cost at Beginning of Period..... | 139,067,556 | 44,938,399 | 199,462,363 | 422,363 | 4,936,902 | 32,163,858 | 420,991,441 |
| Additions | 7,843,053 | 20,711,633 | 36,215,404 | 1,164,098 | 3,108,642 | 7,182,781 | 76,225,611 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost at End of Period..... | 146,910,609 | 65,650,032 | 235,677,767 | 1,586,461 | 8,045,544 | 39,346,639 | 497,217,052 |
| Accrued Depreciation at the Beginning of Period..... | 0 | 1,992,054 | 16,165,705 | 32,152 | 1,344,971 | 6,853,216 | 26,388,098 |
| Depreciation..... | 0 | 1,412,639 | 12,917,546 | 173,089 | 419,890 | 3,980,949 | 18,904,113 |
| Disposal Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accrued Depreciation at the End of Period..... | 0 | 3,404,693 | 29,083,251 | 205,241 | 1,764,861 | 10,834,165 | 45,292,212 |
| Net Book Value L.E. | 146,910,609 | 62,245,339 | 206,594,516 | 1,381,220 | 6,280,683 | 28,512,474 | 451,924,840 |
| Net Book Value U.S.\$ | 43,209,003 | 18,307,453 | 60,763,093 | 406,241 | 1,847,260 | 8,386,022 | 132,919,072 |

9 — Projects Under Construction:

Projects under construction as of June 30, 1999 amounting to L.E.42,015,790 represent the costs incurred for developing projects that are still under progress at the financial position date, which comprises the following projects:

| | L.E. | U.S.\$ |
|--|-------------------|-------------------|
| Acryline Factory — Quest Consult S.A.E. | 8,202,350 | 2,412,456 |
| Parking Area and Service Centers — Universal High Load Trucking S.A.E..... | 33,813,440 | 9,945,129 |
| | <u>42,015,790</u> | <u>12,357,585</u> |

10 — Goodwill:

Goodwill, net of negative Goodwill, amounting to L.E.258,599,902 resulted from the acquisition of several percentages of the Parent Company subsidiaries which comprises the following:

| | L.E. | U.S.\$ |
|--|--------------------|--------------------|
| Arab Steel Factory S.A.E..... | 202,338,200 | 59,511,235 |
| Industrial Consumer Company S.A.E. | 32,734 | 9,628 |
| Amitrade for Commerce and Contracting | (6,269,546) | (1,843,984) |
| Quest Consult S.A.E. | (5,812,737) | (1,709,629) |
| Industrial Investment Company S.A.E. | 28,595 | 8,410 |
| Medical Centers Management S.A.E. | (1,587,193) | (466,821) |
| Trading Medical Systems S.A.E. | 23,626,136 | 6,948,864 |
| Medequip for Trading and Contracting S.A.E. | 52,874,480 | 15,551,318 |
| | <u>265,230,669</u> | <u>78,009,021</u> |
| Amortization..... | <u>(6,630,767)</u> | <u>(1,950,226)</u> |
| | <u>258,599,902</u> | <u>76,058,795</u> |

Holding Company for Financial Investments (Lakah Group), S.A.E.**11 — Due to Banks:**

Due to Banks balance as of June 30, 1999 amounting to L.E.123,854,551 represents the following:

| | L.E. | U.S.\$ |
|--|--------------------|-------------------|
| Bank Overdrafts..... | 11,231,351 | 3,303,338 |
| Islamic Banks Morabhat | 81,659,562 | 24,017,518 |
| Banks — Refinance of Letters of Credit | <u>30,963,638</u> | <u>9,106,953</u> |
| | <u>123,854,551</u> | <u>36,427,809</u> |

12 — Creditors — Short Term Balances:

Creditors — Short Term Balances as of June 30, 1999 amounted to L.E. 33,518,466 represents the following:

| | L.E. | U.S.\$ |
|-----------------------------|-------------------|------------------|
| Notes Payable | 1,689,496 | 496,911 |
| Creditors | 12,438,878 | 3,658,493 |
| Accounts Payable | 17,897,964 | 5,264,107 |
| Other Credit Balances | <u>1,492,128</u> | <u>438,861</u> |
| | <u>33,518,466</u> | <u>9,858,372</u> |

13 — Other Credit Balances:

Other Credit Balances as of June 30, 1999 amounting to L.E.14,375,000 comprise the following:

| | L.E. | U.S.\$ |
|------------------------------|-------------------|------------------|
| Bonds Interest Accruals..... | 14,375,000 | 4,227,941 |
| | <u>14,375,000</u> | <u>4,227,941</u> |

14 — Provisions:

Provisions amounting to L.E.53,788,531 are for Corporate Tax and against other tax claims.

15 — Long Term Loans

Long Term Loans balance as of June 30, 1999 amounting to L.E.146,462,505 represents the following:

| Notes | Amount Of Outstanding Long Term Portion | Interest Rates | Currency | Lending Institution | | Company |
|---|---|---|----------|------------------------|--|------------------------------------|
| | | | | | | |
| — Pledge of medical equipment insurance of 120% | 24,951,102 | 1% Over Libor 0.75% Commission on Highly Debit Balance Monthly Charged | USD | Banque du Caire: | | Medequip For Trading & Contracting |
| — Endorsement of Promissory notes (Maturity 60 months) | | | | | | |
| — Pledge of medical equipment insurance of 120% | 13,577,838 | 13.50% 0.75% Commission on Highly Debit Balance Monthly Charged | LE | Banque du Caire: | | |
| — Endorsement of Promissory notes (Maturity 60 months) | | | | | | |
| Assignment of proceeds for contracts exceeding one year | 29,470,010 | 12.50% 0.1% Commission on Highly Debit Balance Monthly Charged | LE | National Bank of Egypt | | |
| — Pledge of medical equipment insurance of 120% | 26,658,880 | 0.75% Over Libor 0.1% Commission on Highly Debit Balance Monthly Charged | USD | National Bank of Egypt | | |
| — Endorsement of Promissory notes (Maturity 6 year) | | | | | | |
| — Pledge of medical equipment insurance of 120% | 43,601 | 12.50% 0.6% Commission on Highly Debit Balance Monthly Charged | LE | Egyptian British Bank | | |
| — Endorsement of Promissory notes (Maturity 60 months) | | | | | | |

Holding Company for Financial Investments (Lakah Group), S.A.E.

| Notes | Amount Of Outstanding Long Term Portion | Interest Rates | Currency | Lending Institution | Company |
|---|---|---|-----------|----------------------------------|--|
| — Pledge of medical equipment insurance of 120% | 8,015,053 | LE 11% And or \$1% Over Libor | USD or LE | Arab African Bank | |
| — Endorsement of Promissory notes (Maturity 60 months) | | 0.6% Commission on Highly Debit Balance Monthly Charged | | | |
| — Pledge of medical equipment insurance of 120% | 14,832,463 | 12.25% 0.75% Commission on Highly Debit Balance Monthly Charged | LE | Banque du Caire: | Trading Medical Systems |
| — Endorsement of Promissory notes (Maturity 60 months) | | | | | |
| Term Loan To Finance Receivables with Maturity Up To 1 Year | 10,827,516 | LE 12% And or \$1.5% Over Libor | USD or LE | Export Development Bank of Egypt | |
| Up To 2 Years | | 1.35% Commission on Highly Debit Balance Monthly Charged | | | |
| Up To 3 Years | | | | | |
| — Pledge of medical equipment insurance of 120% | 13,228,343 | LE. 11% And/or \$1% Over Libor, | LE or USD | Arab African Bank | |
| — Endorsement of Promissory notes (Maturity 60 months) | | 0.6% Commissions on a Highly Debit Balance Monthly Charged | | | |
| 5 Years Term Loan | 4,857,699 | 14% | LE | Mohands Bank | International High load Trucking Company |
| Total | 146,462,505 | | | | |

— The current portion of the above-mentioned long-term loans has reached L.E.44,047,830 and is included under separate caption in the Balance Sheet (Current Portion of Long Term Debt).

16 — Bonds:

Bonds as of June 30, 1999 amounting to L.E.650,000,000 represent the following:

- Bonds amounting to L.E.250,000,000 were issued by the Arab Steel Factory S.A.E. These bonds are non-convertible into marketable common stock, and they hold a fixed annual interest rate of 11.5 per cent. The subscription started July 1998 for 7 years.
- Bonds amounting to L.E.400,000,000 and they were issued by the Parent Company. These bonds are non-convertible into marketable common stock, and they hold a fixed annual interest rate of 11.5 per cent. The subscription starts at 1999 for 7 years.

17 — Issued & Paid-Up Capital:

The authorized capital amounts to L.E.5,000,000,000, The subscribed and issued capital amounts to L.E.1,499,880,000 is divided into 149,988,000 shares at a par value of L.E.10 each as follows:

| Shareholder's name: | Percentage of Participation | Number of Shares | Amount in L.E. | Amount in \$ |
|--|-----------------------------|------------------|----------------|--------------|
| Mr. Ramy Lakah..... | 49.9990% | 74,992,450 | 749,924,500 | 220,566,029 |
| Mr. Michel Lakah | 42.3330% | 63,494,950 | 634,949,500 | 186,749,853 |
| Banque du Caire | 7.66600% | 11,498,800 | 114,988,000 | 33,820,000 |
| Mr. Sami Philip Totongy | 0.00070% | 1,000 | 10,000 | 2,941 |
| Mr. Ismail Saleh Mohamed Ghonaim Abdon | 0.00003% | 50 | 500 | 147 |
| Mr. Gamal Mohamed Anwar El Sadat | 0.00003% | 50 | 500 | 147 |
| Mr. Ramy Mostafa Fadel Aoda Basha | 0.00003% | 50 | 500 | 147 |
| Mr. Abd El Kader Mohamed Farid Abd El Kader... | 0.00003% | 50 | 500 | 147 |
| Mr. Farouk Abd El Sameea Hasan Mohamed | 0.00030% | 500 | 5,000 | 1,471 |
| Mr. Mohamed Aly Hamza Khidr..... | 0.00003% | 50 | 500 | 147 |
| Mr. Medhat Sobhi Michael..... | 0.00003% | 50 | 500 | 147 |
| Total | 100.0000% | 149,988,000 | 1,499,880,000 | 441,141,176 |

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Holding Company for Financial Investments (Lakah Group), S.A.E.

- According to the meeting of the board of directors dated June 28, 1999 the issued capital was increased by L.E.350,000,000 divided into 35,000,000 shares, at a par value of L.E.10.

Only 10% of the capital increase, amounted to L.E.35,000,000 were paid, so the paid-up capital increased to reach L.E.1,184,880,000.

18 — Commitments Contingent Liabilities:

Letters of Guarantee issued by banks for the Group's accounts in favor of others as at June 30, 1999 with cash margin of L.E.337,570

19 — Earnings per Share

Earnings per Share are calculated as follows:

| | L.E. | U.S.\$ |
|--------------------------------|-------------|-------------|
| Net Profit for the Period..... | 114,188,686 | 33,584,908 |
| Number of Shares | 149,988,000 | 149,988,000 |
| Earnings per Share..... | 0.76 | 0.22 |

20 — Subsidiary Companies:

The financial positions of Industrial Investment Company S.A.E. ("IIC") are consolidated with those of Universal High Load Trucking S.A.E in which IIC owns a majority share holding exceeding 97.74%.

Auditor's Report

Cherif Mohamed Hammouda

Chartered Accountant

Member of RSM International



To the shareholders of Medequip for Trading and Contracting, S.A.E.

We have audited the financial statements of Medequip for Trading and Contracting, S.A.E. which comprise the balance sheets as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Medequip for Trading and Contracting, S.A.E. as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST
R.A.A. 14260

September 9, 1999

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MEDEQUIP FOR TRADING AND CONTRACTING, S.A.E.**FINANCIAL POSITION
as at June 30, 1999**

| | Notes | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | 30-6-98 L.E. |
|--|---------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Inventory | (2C,3) | 32,885,465 | 111,810,581 | 68,862,103 | 60,115,762 |
| Work in Progress..... | (4) | 38,081,391 | 129,476,730 | 67,763,280 | 56,347,795 |
| Accounts Receivables (Net) | (5) | 25,525,817 | 86,787,778 | 27,215,327 | 22,792,152 |
| Lease Receivables..... | (6) | 4,750,661 | 16,152,247 | 15,021,392 | 13,632,914 |
| Debtors — Short Term Balances | (7) | 12,665,324 | 43,062,101 | 23,666,648 | 20,485,795 |
| Advance Payments to Suppliers..... | | 11,873,339 | 40,369,354 | 26,648,971 | 24,807,608 |
| Cash in Hand and at Banks | (8) | 16,719,296 | 56,845,605 | 4,404,033 | 36,412,195 |
| Total Current Assets..... | | <u>142,501,293</u> | <u>484,504,396</u> | <u>233,581,754</u> | <u>234,594,221</u> |
| Long Term Assets | | | | | |
| Fixed Assets (Net) | (2B,9) | 1,052,432 | 3,578,270 | 3,885,167 | 3,817,434 |
| Deferred Expenses (Net)..... | (2D,10) | 581,674 | 1,977,691 | 2,636,922 | 2,834,675 |
| Investment in Marketable Securities | (11) | 1,570,929 | 5,341,160 | 5,341,160 | 3,756,846 |
| Lease Receivables..... | | 34,818,446 | 118,382,718 | 98,818,566 | 80,920,455 |
| Total Long Term Assets | | <u>38,023,481</u> | <u>129,279,839</u> | <u>110,681,816</u> | <u>91,329,410</u> |
| Total Assets..... | | <u>180,524,774</u> | <u>613,784,235</u> | <u>344,263,570</u> | <u>325,923,631</u> |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Due to Banks..... | | 9,288,414 | 31,580,608 | 9,357,010 | 6,639,990 |
| Current Portion of Long Term Debt | (12) | 12,955,244 | 44,047,830 | 36,448,677 | 31,811,884 |
| Accounts Payable..... | | 2,641,324 | 8,980,504 | 9,370,309 | 13,572,072 |
| Provisions | (13) | 8,879,322 | 30,189,694 | 9,795,829 | 7,236,091 |
| Creditors — Short Term Balances | | 1,061,926 | 3,610,549 | 9,463,432 | 13,591,829 |
| Total Current Liabilities | | <u>34,826,230</u> | <u>118,409,185</u> | <u>74,435,257</u> | <u>72,851,866</u> |
| Long Term Liabilities | | | | | |
| Due to Holding Company | | 66,044,853 | 224,552,500 | — | — |
| Long Term Loans | (12) | 30,210,730 | 102,716,484 | 145,794,703 | 133,016,079 |
| Total Long Term Liabilities..... | | <u>96,255,583</u> | <u>327,268,984</u> | <u>145,794,703</u> | <u>133,016,079</u> |
| Shareholders' Equity | | | | | |
| Issued and Paid-up Capital..... | (14) | 29,411,765 | 100,000,000 | 100,000,000 | 100,000,000 |
| Legal Reserve..... | | 353,436 | 1,201,681 | 1,201,681 | 865,713 |
| Retained Earnings..... | | 6,715,273 | 22,831,929 | 22,831,929 | 4,187,563 |
| Net Profit for The Period | | 12,962,487 | 44,072,456 | — | 15,002,410 |
| Total Shareholders' Equity | | <u>49,442,961</u> | <u>168,106,066</u> | <u>124,033,610</u> | <u>120,055,686</u> |
| Total Liabilities and Shareholders Equity..... | | <u>180,524,774</u> | <u>613,784,235</u> | <u>344,263,570</u> | <u>325,923,631</u> |

*The accompanying notes are an integral part of the financial position.**The auditor's report is attached.**Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40*

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MEDEQUIP FOR TRADING AND CONTRACTING, S.A.E.**INCOME STATEMENT
for the period from January 1, 1999 to June 30, 1999**

| | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | 30-6-98 L.E. |
|--|---------------------------|-------------------------|--------------------------|-------------------------|
| Net Sales..... | 97,096,118 | 330,126,800 | 253,496,936 | 174,912,886 |
| Cost of Goods Sold..... | (67,616,206) | (229,895,100) | (186,245,073) | (129,942,783) |
| Gross Profit..... | 29,479,912 | 100,231,700 | 67,251,863 | 44,970,103 |
| ADD | | | | |
| Other Income..... | 524,887 | 1,784,616 | 1,129,355 | 704,718 |
| Credit Interest | 189,713 | 645,025 | — | — |
| Maintenance Revenue | 1,270,961 | 4,321,268 | 2,179,905 | 1,656,728 |
| | 31,465,473 | 106,982,609 | 70,561,123 | 47,331,549 |
| Less | | | | |
| General and Administrative Expenses..... | (6,778,776) | (23,047,839) | (24,561,320) | (15,002,769) |
| Depreciation of Fixed Assets..... | (90,264) | (306,898) | (653,346) | — |
| Amortization of Deferred Expenses | (193,891) | (659,231) | (769,076) | — |
| Financing Expenses | (1,951,130) | (6,633,840) | (14,723,456) | (9,962,454) |
| Provision for Doubtful Account..... | (1,330,567) | (4,523,927) | (2,321,106) | (1,687,254) |
| Foreign Exchange Differences | (24,038) | (81,730) | (212,049) | (127,824) |
| Management Fees Due to Holding Company | (1,453,446) | (4,941,717) | — | — |
| Total Expenses..... | (11,822,112) | (40,195,182) | (43,240,353) | (26,780,301) |
| Net Profit for the Period before taxes..... | 19,643,361 | 66,787,427 | 27,320,770 | 20,551,248 |
| Income Tax provision | (6,680,874) | (22,714,971) | (7,474,723) | (5,548,837) |
| Net Profit for the Period after taxes | 12,962,487 | 44,072,456 | 19,846,047 | 15,002,410 |

*The accompanying notes are an integral part of the financial position.**The auditor's report is attached.**Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of
U.S.\$1.00 = L.E.3.40*

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Medequip for Trading and Contracting, S.A.E.**NOTES TO THE FINANCIAL POSITION
As at June 30, 1999****1 — The Company**

Medequip for Trading and Contracting S.A.E., ("Medequip") was incorporated on October 12, 1994 under law 159 of 1981. Medequip is principally involved in the following activities: (I) the sale of medical equipment and, (ii) the construction of medical facilities and related construction activities.

2) Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

a) Basis of Preparation of Financial Statements

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

b) Fixed Assets

Fixed Assets are stated at historical cost and are depreciated using the straight — line method based on their estimated useful lives. According to the following annual rates:

| Assets | Annual Rates |
|------------------------------|--------------|
| Vehicles | 12.50% |
| Electrical Equipment | 12.50% |
| Furniture | 6.00% |
| Office Equipment | 12.50% |
| Telephone Switch Pager | 12.5-25% |
| Tools and Fixtures | 12.50% |

c) Inventory

Inventory is stated at the lower of cost or net realizable value using the first-in-first-out method.

d) Deferred Expenses (net)

Deferred Expenses (net) represent Organization Costs incurred for the purpose of establishing Medequip.

These costs are amortized using the straight-line method over a five-year period (20 per cent.).

3 — Inventory

Inventory as of June 30, 1999 amounted to L.E 111,810,581 comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|---------------------------|--------------------|-------------------|
| Spare Parts..... | 23,731,744 | 6,979,925 |
| Goods in Transit | 8,616,311 | 2,534,209 |
| Medical Equipment..... | 24,125,372 | 7,095,698 |
| Contracting Material..... | <u>55,337,154</u> | <u>16,275,633</u> |
| | <u>111,810,581</u> | <u>32,885,465</u> |

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Medequip for Trading and Contracting, S.A.E.**4 — Work in Progress**

Work in Progress as of June 30, 1999 amounted to L.E.129,476,730 comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|-----------------------------------|--------------------|-------------------|
| El Salam Hospital..... | 9,627,788 | 2,831,702 |
| Luxor Hospital | 3,119,712 | 917,562 |
| Domyat Hospital | 5,784,466 | 1,701,314 |
| 62 Bed Projects..... | 8,709,196 | 2,561,528 |
| El Bagour Hospital | 5,979,448 | 1,758,661 |
| El Ghanayem Hospital..... | 5,069,532 | 1,491,039 |
| 6th of October Hospital | 25,737,626 | 7,569,890 |
| Swiss Hotel — Sharm El Shekh..... | 55,504,880 | 16,324,965 |
| Others..... | 9,944,082 | 2,924,730 |
| | <u>129,476,730</u> | <u>38,081,391</u> |

5 — Accounts Receivables

Accounts Receivables as of June 30, 1999 amounted in L.E.86,787,778 comprise the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------------|--------------------|--------------------|
| Ministry of Health..... | 15,844,502 | 4,660,148 |
| Ministry of Defence..... | 11,839,158 | 3,482,105 |
| Private Medical Centers..... | 36,110,267 | 10,620,667 |
| Several Hospitals | 29,838,884 | 8,776,142 |
| | <u>93,632,811</u> | <u>27,539,062</u> |
| Less | | |
| Provision for Doubtful Account | <u>(6,845,033)</u> | <u>(2,013,245)</u> |
| | <u>86,787,778</u> | <u>25,525,817</u> |

6 — Lease Receivables

Lease Receivables represent leasing activities for supplying doctor's private practices and medical centers with medical equipment and related spare parts. Average lease terms are five years.

7 — Debtors — Short Term Balances

Debtors — Short Term Balances as of June 30, 1999 amounted in L.E.43,062,101 comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|-----------------------------|-------------------|-------------------|
| Sales Tax | 6,834,934 | 2,010,275 |
| Withholding Tax | 3,560,099 | 1,047,088 |
| Deposits With Others | 2,473,790 | 727,585 |
| Letters of Guarantees | 5,000,000 | 1,470,588 |
| Letters of Credit | 13,240,951 | 3,894,397 |
| Others..... | 9,902,554 | 2,912,516 |
| | <u>43,062,101</u> | <u>12,665,324</u> |

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Medequip for Trading and Contracting, S.A.E.**8 — Cash in Hand and at Banks**

Cash in Hand and at Banks as of June 30, 1999 amounted in L.E.56,845,605 comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--|-------------------|-------------------|
| Misr America International Bank — Current Account — L.E..... | 2,173,210 | 639,179 |
| Int. Islamic Bank | 339,553 | 99,869 |
| Arab African Bank | 1,485,150 | 436,809 |
| National Bank of Egypt..... | 1,053,611 | 309,886 |
| Other Banks..... | 25,661 | 7,547 |
| Time Deposits..... | 50,819,473 | 14,946,904 |
| Cash in Hand | 948,947 | 279,102 |
| | 56,845,605 | 16,719,296 |

9 — Fixed Assets (Net)

Fixed Assets as of June 30, 1999 amounted to L.E.3,578,270 comprise the following:

| | Cost 30-6-99 L.E. | Accumulated Depreciation as at 30-06-99 L.E. | Net Value as at 30-06-99 L.E. | Net Value as at 30-06-99 U.S.\$ |
|------------------------------|-------------------------|---|-------------------------------------|---------------------------------------|
| Vehicles | 3,031,258 | 1,192,488 | 1,838,770 | 540,815 |
| Electrical Equipment | 669,737 | 197,741 | 471,996 | 138,822 |
| Furniture | 1,403,860 | 358,911 | 1,044,949 | 307,338 |
| Office Equipment | 116,391 | 33,870 | 82,521 | 24,271 |
| Telephone Switch Pager | 115,124 | 35,482 | 79,642 | 23,424 |
| Tools and Fixtures | 71,079 | 10,687 | 60,392 | 17,762 |
| | 5,407,449 | 1,829,179 | 3,578,270 | 1,052,432 |

10 — Deferred Expenses (Net)

Deferred Expenses (Net) as of June 30, 1999 represent the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------|------------------|-------------------|
| Organization Costs (Net) | 1,977,691 | 581,674 |
| | 1,977,691 | 581,674 |

11 — Investment in Marketable Securities:

Investment in Marketable Securities as of June 30, 1999 amounted to L.E.5,341,160 comprises the following:

| | percentage of participation % | shares value L.E. | number of shares | amount in as at 30-6-99 L.E. | amount in as at 30-6-99 U.S.\$ |
|----------------------------|-------------------------------------|-------------------------|---------------------|------------------------------------|--------------------------------------|
| Rego Company S.A.E | | 100 | 30,000 | 3,000,000 | 882,353 |
| Tanta Scan S.A.E..... | 10.80% | 10 | 54,116 | 541,160 | 159,164 |
| Incolease Leasing Co. | 9.00% | 10 | 180,000 | 1,800,000 | 529,412 |
| | | | 264,116 | 5,341,160 | 1,570,929 |

12 — Long Term Loans

Long Term Loans as of June 30, 1999 amounted in L.E.102,716,484 and the current portion of the above mentioned Long-Term Debt has reached L.E.44,047,830 and is included in the Current Liabilities in the financial Position.

Medequip for Trading and Contracting, S.A.E.**13 — Provisions**

Provisions as of June 30, 1999 amounted in L.E.30,189,694 comprise the following:

| | 30/06/99 L.E. | 30/06/99 U.S.\$ |
|---------------------------------|-------------------|--------------------|
| Provision for Income Taxes..... | 30,189,694 | 8,879,322 |
| | <u>30,189,694</u> | <u>8,879,322</u> |

14 — Capital

The paid-up capital amounts to L.E.100,000,000 Divided into 1,000,000 shares of L.E.100 per share as follows:

| Shareholder's Name | Percentage of participation % | Number of Shares | Amount as at 30-6-99 L.E. | Amount as at 30-6-99 U.S.\$ |
|---|-------------------------------|------------------|---------------------------|-----------------------------|
| Holding Company for Financial Investments (Lakah Group) S.A.E | 97.800% | 978,000 | 97,800,000 | 28,764,705 |
| Mr. Ramy Lakah..... | 0.065% | 650 | 65,000 | 19,117 |
| Mr. Michel Lakah..... | 0.040% | 404 | 40,400 | 11,882 |
| Mr. Ramy Mostafa..... | 0.330% | 3,300 | 330,000 | 97,059 |
| Mr. Samy Toutoungy | 0.626% | 6,260 | 626,000 | 184,117 |
| Mr. Ramy Aziz..... | 0.004% | 36 | 3,600 | 1,059 |
| Mr. Medhat Sobhy | 0.813% | 8,125 | 812,500 | 238,970 |
| Mr. Faouk Abdel Samei..... | 0.005% | 50 | 5,000 | 1,471 |
| Mr. Rafik Shehata | 0.280% | 2,800 | 280,000 | 82,353 |
| Mr. Sherif Sharrawy | 0.005% | 50 | 5,000 | 1,471 |
| Mrs. Hala El Fouly | 0.005% | 50 | 5,000 | 1,471 |
| Mr. Hany Semon..... | 0.003% | 25 | 2,500 | 735 |
| Mrs. Mona A.Gawad | 0.005% | 50 | 5,000 | 1,471 |
| Mr. Wagh Shokry Younan | 0.005% | 50 | 5,000 | 1,471 |
| Mr. Amgad Zarif..... | 0.005% | 50 | 5,000 | 1,471 |
| Mr. George Shawky Farag | 0.005% | 50 | 5,000 | 1,471 |
| Mr. Amit Youhana..... | 0.005% | 50 | 5,000 | 1,471 |
| | <u>100%</u> | <u>1,000,000</u> | <u>100,000,000</u> | <u>29,411,765</u> |

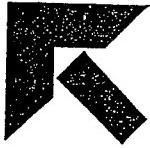
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Auditor's Report

Cherif Mohamed Hammouda

Chartered Accountant

Member of RSM International



To the shareholders of Trading Medical Systems Egypt, S.A.E.

We have audited the financial statements of Trading Medical Systems Egypt, S.A.E. which comprise the balance sheets as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Trading Medical Systems Egypt, S.A.E. as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST
R.A.A. 14260

September 9, 1999

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TRADING MEDICAL SYSTEM EGYPT, S.A.E.**FINANCIAL POSITION
as of June 30, 1999**

| | Notes | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | 30-6-98 L.E. |
|--|--------|--------------------------|---------------------------|---------------------------|---------------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Inventory | (2D,3) | 13,737,749 | 46,708,346 | 30,872,182 | 29,957,734 |
| Accounts Receivables (Net) | (4) | 3,663,022 | 12,454,276 | 6,245,694 | 11,258,077 |
| Lease Receivables | | 3,543,282 | 12,047,160 | 12,683,000 | 10,098,075 |
| Other Debit Balances | (5) | 7,915,854 | 26,913,903 | 25,138,846 | 18,277,888 |
| Letters of Guarantee (Cash Margin) | | 1,624,004 | 5,521,614 | 3,159,400 | 2,982,202 |
| Cash in Hand and at Banks | (6) | 4,186,360 | 14,233,624 | 2,740,000 | 1,932,371 |
| Total Current Assets | | <u>34,670,271</u> | <u>117,878,923</u> | <u>80,839,121</u> | <u>74,506,347</u> |
| Long Term Assets | | | | | |
| Fixed Assets (Net) | (2C,7) | 1,001,872 | 3,406,363 | 3,807,000 | 3,599,369 |
| Lease Receivables | (8) | <u>19,025,444</u> | <u>64,686,511</u> | <u>68,821,754</u> | <u>69,792,168</u> |
| Total Long Term Assets | | <u>20,027,316</u> | <u>68,092,874</u> | <u>72,628,754</u> | <u>73,391,537</u> |
| Total Assets..... | | <u><u>54,697,587</u></u> | <u><u>185,971,797</u></u> | <u><u>153,467,875</u></u> | <u><u>147,897,884</u></u> |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Due to Banks..... | | 11,912,727 | 40,503,272 | 44,819,950 | 38,430,340 |
| Creditors Short-Term | (9) | 1,576,512 | 5,360,140 | 13,093,194 | 5,360,200 |
| Accounts Payable..... | (10) | 1,283,300 | 4,363,220 | 3,122,392 | 6,212,607 |
| Provisions | (11) | 4,302,995 | 14,630,182 | 9,349,587 | 4,462,089 |
| Total Current Liabilities | | <u>19,075,534</u> | <u>64,856,814</u> | <u>70,385,123</u> | <u>54,465,236</u> |
| Long Term Liabilities | | | | | |
| Long Term Loans..... | | <u>11,437,742</u> | <u>38,888,322</u> | <u>16,409,497</u> | <u>29,423,538</u> |
| Total Long Term Liabilities | | <u>11,437,742</u> | <u>38,888,322</u> | <u>16,409,497</u> | <u>29,423,538</u> |
| Shareholders' Equity | | | | | |
| Authorized Capital (L.E.50,000,000) | | | | | |
| Issued and Paid-Up Capital | (12) | 14,705,882 | 50,000,000 | 50,000,000 | 50,000,000 |
| Legal Reserve..... | | 404,706 | 1,376,000 | 1,376,000 | 427,467 |
| Retained Earnings..... | | 4,499,192 | 15,297,255 | 15,297,255 | 3,941,870 |
| Net Profit for the Period | | 4,574,531 | 15,553,406 | — | 9,639,773 |
| Total Shareholder's Equity | | <u>24,184,311</u> | <u>82,226,661</u> | <u>66,673,255</u> | <u>64,009,110</u> |
| Total Liabilities and Shareholders' Equity | | <u><u>54,697,587</u></u> | <u><u>185,971,797</u></u> | <u><u>153,467,875</u></u> | <u><u>147,897,884</u></u> |

*The accompanying notes are an integral part of the financial position.**The auditor's report is attached.**Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40.*

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TRADING MEDICAL SYSTEM EGYPT, S.A.E.

INCOME STATEMENT
for the period from January 1, 1999 to June 30, 1999

| | 30.6.99 U.S.\$ | 30.6.99 L.E. | 31.12.98 L.E. | 30.6.98 L.E. |
|--|-------------------|-------------------|-------------------|-------------------|
| Sales | 36,605,888 | 124,460,020 | 138,830,830 | 99,958,198 |
| Cost of Sales | (26,078,190) | (88,665,847) | (103,529,000) | (76,818,518) |
| Gross Profit | <u>10,527,698</u> | <u>35,794,173</u> | <u>35,301,830</u> | <u>23,139,680</u> |
| Less | | | | |
| General and Administrative Expenses | 2,500,472 | 8,501,604 | 8,981,407 | 5,568,472 |
| Financing Expenses | 970,453 | 3,299,541 | 5,951,000 | 3,213,540 |
| Provision for Doubtful Debts | 295,112 | 1,003,381 | 1,755,009 | 1,368,907 |
| Depreciation of Fixed Assets | 117,834 | 400,637 | 469,726 | 255,805 |
| Total Expenses | <u>3,883,871</u> | <u>13,205,163</u> | <u>17,157,142</u> | <u>10,406,724</u> |
| Net Profit For the Period before Taxes | 6,643,827 | 22,589,010 | 18,144,688 | 12,732,956 |
| Income Tax Provision | (2,069,296) | (7,035,604) | (5,620,770) | (3,093,183) |
| Net Profit For the Period after Taxes | <u>4,574,531</u> | <u>15,553,406</u> | <u>12,523,918</u> | <u>9,639,773</u> |

*The auditor's report is attached.**Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40.*

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Trading Medical System Egypt, S.A.E.**NOTES TO THE FINANCIAL POSITION
As of June 30, 1999****1 — The Company**

Trading Medical Systems Egypt S.A.E. "TMSE" was established on December 17, 1994 under the Law No. 159 of 1981. TMSE is involved in marketing, importing, re-exporting, distributing, installing and servicing sophisticated medical imaging equipment.

2 — Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

a) Basis of Preparation of Financial Statements

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

b) Foreign currency

The company maintains its accounts in Egyptian pounds. Transactions denominated in foreign currencies are translated to Egyptian pounds using the prevailing free market rates at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pounds using the exchange rates prevailing as at the year end. Translation differences are included in the Income Statement.

c) Fixed Assets

Fixed Assets are stated at historical cost and are depreciated using the straight-line method over their expected useful lives, according to the following annual rates.

Fixed Assets**Annual Rates**

| | |
|----------------------------------|-------|
| Vehicles | 25% |
| Electrical Equipment | 12.5% |
| Furniture | 6-20% |
| Iron Safe..... | 12.5% |
| Telephone Switch and Pager | 12.5% |
| Tools and Fixtures | 12.5% |

d) Inventory

Inventory are stated at the lower of cost or net realizable value using the first-in first-out method.

3 — Inventory

Inventory as of June 30, 1999 amounted to L.E.46,708,346 represents as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|------------------------|-------------------|-------------------|
| Goods in Transit | 8,125,401 | 2,389,824 |
| Spare Parts..... | 20,251,369 | 5,956,285 |
| Medical Equipment..... | 18,331,576 | 5,391,640 |
| | <u>46,708,346</u> | <u>13,737,749</u> |

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Trading Medical System Egypt, S.A.E.**4 — Accounts Receivables (Net)**

Accounts Receivables (Net) as of June 30, 1999 amounted to L.E.12,454,276 represent as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------------|--------------------|-------------------|
| Al Agoza Hospital | 3,505,698 | 1,031,088 |
| El Suez Hospital | 4,500,645 | 1,323,719 |
| Alfa Scan | 4,099,971 | 1,205,874 |
| Ministry of Defense | 3,106,352 | 913,633 |
| Less | | |
| Provision for Doubtful Account | 15,212,666 | 4,474,314 |
| | <u>(2,758,390)</u> | <u>(811,291)</u> |
| | <u>12,454,276</u> | <u>3,663,022</u> |

5 — Other Debit Balances

Other Debit Balances as of June 30, 1999 amounted to L.E.26,913,903 represent as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|----------------------------|-------------------|-------------------|
| Tax Authority | 13,237,137 | 3,893,275 |
| Deposits with Others | 4,113,652 | 1,209,898 |
| Prepaid Expenses | 6,174,865 | 1,816,137 |
| Accrued Revenue | 3,388,249 | 996,544 |
| | <u>26,913,903</u> | <u>7,915,854</u> |

6 — Cash in Hand and at Banks

Cash in Hand and at Banks as of June 30, 1999 amounted to L.E.14,233,624 represents as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------|-------------------|-------------------|
| Banks — Current Accounts | 14,208,624 | 4,179,007 |
| Cash in Hand | 25,000 | 7,353 |
| | <u>14,233,624</u> | <u>4,186,360</u> |

7 — Fixed Assets

Fixed Assets as of June 30, 1999 amounted to L.E.3,406,363 represent as follows:

| | Cost as of 30-6-99 L.E. | Accumulated depreciation as of 30-6-99 L.E. | Net Value as of 30-6-99 L.E. | Net Value as of 30-6-99 U.S.\$ |
|--------------------------------|-------------------------------|--|------------------------------------|--------------------------------------|
| Vehicles | 3,548,816 | 1,033,557 | 2,515,258 | 739,782 |
| Electrical Equipment | 296,038 | 82,302 | 213,735 | 62,863 |
| Furniture | 1,105,375 | 709,637 | 395,738 | 116,394 |
| Iron Safe | 17,247 | 5,180 | 12,066 | 3,549 |
| Telephone Switch & Pager | 312,681 | 87,386 | 225,295 | 66,263 |
| Fire Equipment | 4,076 | 1,090 | 2,987 | 878 |
| Tools & Fixtures | 57,600 | 16,316 | 41,284 | 12,142 |
| | <u>5,341,832</u> | <u>1,935,469</u> | <u>3,406,363</u> | <u>1,001,871</u> |

Trading Medical System Egypt, S.A.E.**8 — Lease Receivables**

TMSE (the "Lessor") entered into Lease contracts through which it leases certain equipment to its clients ("Lessees"). The leased equipment title passes to the Lessee at the end of the lease term (almost five years). Lease receivables represents the total lease payments to be received.

9 — Creditors Short Term

Creditors Short Term as of June 30, 1999 amounted to L.E.5,360,140 represented as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|------------------------------------|------------------|-------------------|
| Customs Clearance | 452,685 | 133,143 |
| Accrued Expenses | 560,251 | 164,780 |
| Notes Payable | 746,606 | 219,590 |
| Customers — Advance Payments | 3,600,598 | 1,058,999 |
| | <u>5,360,140</u> | <u>1,576,512</u> |

10 — Accounts payable

Accounts payable as of June 30, 1999 amounted to L.E.4,363,220 represented as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|-----------------------|------------------|-------------------|
| Toshiba — Japan | 4,363,220 | 1,283,300 |
| | <u>4,363,220</u> | <u>1,283,300</u> |

11 — Provisions

Provisions as of June 30, 1999 amounted to L.E.14,630,182 represent as follows:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|----------------------------|-------------------|-------------------|
| Income Tax Provision | 14,630,182 | 4,302,995 |
| | <u>14,630,182</u> | <u>4,302,995</u> |

12 — Capital

The Authorized Capital amounts to L.E.50,000,000 and the Issued and Subscribed Capital amount to L.E.50,000,000 divided into 500,000 shares of L.E.100 per share.

| Shareholder's Name | Percentage of Participation | Number of shares | Amount 30-6-99 L.E. | Amount 30-6-99 U.S.\$ |
|---|-----------------------------|------------------|---------------------|-----------------------|
| Holding Company For Financial Investments (Lakah Group) S.A.E | 97.60% | 488,000 | 48,800,000 | 14,352,941 |
| Mr. Ramy Lakah..... | 0.35% | 1,750 | 175,000 | 51,470 |
| Mr. Michel Lakah..... | 0.04% | 215 | 21,500 | 6,323 |
| Mr. Ramy Mostapha..... | 0.57% | 2,825 | 282,500 | 83,088 |
| Mr. Samy Toutoungy | 0.69% | 3,450 | 345,000 | 101,470 |
| Mr. Rafik Chehata | 0.18% | 900 | 90,000 | 26,470 |
| Mr. Medhat Sobhy | 0.51% | 2,560 | 256,000 | 75,294 |
| Mr. Farouk Abdel Samei | 0.01% | 50 | 5,000 | 1,471 |
| Mr. Adel Mohamed Kamal El Deen El Shorbagy | 0.01% | 50 | 5,000 | 1,471 |
| Mr. Hani Youssef Habeeb Samaan | 0.01% | 50 | 5,000 | 1,471 |
| Mr. Ashraf Adly Gad Allah Abou Zeid | 0.01% | 50 | 5,000 | 1,471 |
| Mr. Ehab Mohamed El Fouly | 0.01% | 50 | 5,000 | 1,471 |
| Mr. Wael Hasan Hasan Zaghloul | 0.01% | 50 | 5,000 | 1,471 |
| | 100.00% | 500,000 | 50,000,000 | 14,705,882 |

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Auditor's Report

Cherif Mohamed Hammouda

Chartered Accountant

Member of RSM International



To the shareholders of Arab Steel Factory, S.A.E.

We have audited the financial statements of Arab Steel Factory, S.A.E. which comprise the balance sheet as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Arab Steel Factory, S.A.E., as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST
R.A.A. 14260

9 September, 1999

ARAB STEEL FACTORY, S.A.E.**FINANCIAL POSITION
as of June 30, 1999**

| | Notes | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | 30-6-98 L.E. |
|---------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Inventory..... | (2d,3) | 26,412,009 | 89,800,830 | 77,309,116 | 53,032,334 |
| Accounts Receivables..... | 4 | 15,204,213 | 51,694,323 | 38,994,632 | 50,326,748 |
| Debtors — Short Term Balances | 5 | 14,726,910 | 50,071,493 | 60,551,110 | 24,065,412 |
| Letters of Credit | | 964,706 | 3,280,000 | — | — |
| Advance Payments to Suppliers | 6 | 2,615,535 | 8,892,819 | 6,983,861 | 1,978,346 |
| Time Deposits..... | | 317,780 | 1,080,453 | — | — |
| Cheques under Collection..... | 7 | 5,268,617 | 17,913,298 | — | — |
| Cash in Hand and at Banks..... | 8 | 213,878 | 727,186 | 2,264,423 | 1,935,647 |
| Total Current Assets..... | | <u>65,723,648</u> | <u>223,460,402</u> | <u>186,103,143</u> | <u>131,338,487</u> |
| Long Term Assets | | | | | |
| Fixed Assets (Net)..... | (2c,9) | <u>67,283,936</u> | <u>228,765,383</u> | <u>209,225,914</u> | <u>212,515,421</u> |
| Deferred Expenses (Net)..... | (2f,10) | 6,170,659 | 20,980,242 | 22,689,747 | 22,165,505 |
| Long Term Investments | 11 | 36,470,588 | 124,000,000 | 124,000,000 | 124,000,000 |
| Projects under Construction | | — | — | 18,219,188 | 12,584,614 |
| Total Long Term Assets | | <u>109,925,184</u> | <u>373,745,625</u> | <u>374,134,849</u> | <u>371,265,540</u> |
| Total Assets | | <u>175,648,831</u> | <u>597,206,027</u> | <u>560,237,992</u> | <u>502,604,027</u> |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable..... | | — | — | — | 72,549,406 |
| Due to Banks | | 6,436,349 | 21,883,585 | 15,379,832 | — |
| Provisions..... | | 174,568 | 593,530 | 593,530 | 4,789,521 |
| Creditors — Short Term Balances | | 441,254 | 1,500,262 | 6,000,898 | — |
| Other Creditors..... | | 253,024 | 860,280 | 1,676,126 | — |
| Bonds Interest Accrual..... | 12 | 4,227,941 | 14,375,000 | — | — |
| Total Current Liabilities | | <u>11,533,134</u> | <u>39,212,657</u> | <u>23,650,386</u> | <u>77,338,927</u> |
| Long Term Liabilities | | | | | |
| Long Term Loans | | — | — | 4,667,603 | 149,846,324 |
| Bonds..... | 14 | <u>73,529,412</u> | <u>250,000,000</u> | <u>250,000,000</u> | <u>—</u> |
| Creditors — Long Term Balances..... | | — | — | 2,819,015 | 3,845,152 |
| Total Long Term Liabilities | | <u>73,529,412</u> | <u>250,000,000</u> | <u>257,486,618</u> | <u>153,691,476</u> |
| Shareholders' Equity | | | | | |
| Issued and Paid-Up Capital | 13 | <u>73,529,412</u> | <u>250,000,000</u> | <u>250,000,000</u> | <u>250,000,000</u> |
| Legal Reserve..... | | 427,956 | 1,455,049 | 1,455,049 | — |
| Retained Earnings..... | | 8,131,159 | 27,645,939 | — | — |
| Net Profit For The Period..... | | 8,497,759 | 28,892,382 | 27,645,939 | 21,573,624 |
| Total Shareholders' Equity | | <u>90,586,285</u> | <u>307,993,370</u> | <u>279,100,988</u> | <u>271,573,624</u> |
| Total Liabilities..... | | <u>175,648,831</u> | <u>597,206,027</u> | <u>560,237,992</u> | <u>502,604,027</u> |

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40

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ARAB STEEL FACTORY, S.A.E.**INCOME STATEMENT
for the period from January 1, 1999 to June 30, 1999**

| | Note | 30-6-99 U.S.\$ | 30-6-99 L.E. | 31-12-98 L.E. | 30-6-98 L.E. |
|--|------|-------------------|-------------------|-------------------|-------------------|
| Net Sales | | 29,060,486 | 98,805,653 | 186,773,448 | 107,495,590 |
| Cost of Goods Sold | | (17,606,298) | (59,861,412) | (108,383,061) | (65,572,310) |
| Less | | | | | |
| Fixed Assets Depreciation | | (2,578,077) | (8,765,463) | (13,786,392) | (6,893,196) |
| Pre-production Tests Amortization | | (95,195) | (323,662) | (647,324) | (315,031) |
| Gross Profit | | 8,780,916 | 29,855,116 | 63,956,671 | 34,715,053 |
| Less | | | | | |
| General and Administrative Expenses | | 464,968 | 1,580,891 | 2,384,457 | 1,397,681 |
| Financing Expenses | | 371,545 | 1,263,254 | 28,548,813 | 11,119,787 |
| Fixed Assets Depreciation | | 150,956 | 513,249 | 1,025,977 | 354,960 |
| Pre-opening Expenses Amortization | | 407,600 | 1,385,839 | 2,771,679 | 537,013 |
| Miscellaneous Revenue | | (86,384) | (293,707) | (587,414) | (324,965) |
| Foreign Exchange Differences | | 15,149 | 51,506 | 118,640 | 56,953 |
| Bonds Interest..... | 12 | 4,227,941 | 14,375,000 | — | — |
| Total Expenses | | 5,551,775 | 18,876,032 | 34,262,152 | 13,141,429 |
| ADD: | | | | | |
| Extraordinary Gain | 10 | 5,268,617 | 17,913,298 | — | — |
| Net Profit For the period before taxes | | 8,497,758 | 28,892,382 | 29,694,519 | 21,573,624 |
| Taxes Provision | | — | — | (593,530) | — |
| Net Profit for the Period After Taxes | | 8,497,758 | 28,892,382 | 29,100,989 | 21,573,624 |

*The accompanying notes are an integral part of the financial position.**The auditor's report is attached.**Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of
U.S.\$1.00 =*

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Arab Steel Factory, S.A.E.**NOTES TO THE FINANCIAL POSITION
As of June 30, 1999****1) The Company**

Arab Steel Factory, S.A.E. ("Arab Steel") was incorporated in Egypt in December 1994 under the law No. 159 of 1981. Arab Steel is a leading manufacturer in Egypt of steel billets for sale in the Egyptian market. Billet is the raw material required for the manufacture of steel rebar, angles and beams.

2) Significant Accounting policies

The significant accounting policies adopted in the preparation of the financial position are set out below.

a) Accounting basis

The accounts are made on the basis of the historical cost in accordance with the Egyptian Accounting standards.

b) Foreign Currency Transactions

Arab Steel maintains its accounts in Egyptian currency, and it records its foreign currency transactions on the basis of exchange rates at the time of transaction itself. Re-valuation of the accounts is conducted at year-end using the prevailing exchange rates on December 31, 1998.

c) Fixed Assets

Fixed Assets are recorded at their historical cost, and are depreciated using the straight-line method for their estimated productive lives according to the following ratios:

| Fixed Assets | Annual Rates |
|--------------------------------------|--------------|
| Buildings..... | 2% |
| Machinery and Equipment..... | 10% |
| Fixtures | 20% |
| Office Furniture and Equipment | 15% |
| Vehicles | 20% |
| Back House | 20% |

d) Inventory

Raw material inventory is priced at cost on a weighted average basis, and finished goods inventories are priced at cost, including raw materials, direct labor and a share of indirect expenses determined on the basis of the normal activity.

e) Recording Pre-operating Revenues

The Pre-operating net Revenue is expressed in the amounts due from the goods and services that Arab Steel provides through the experiment period activity on the basis of discounted prices in compliance with the product's life time deducting the commercial discount and the sales tax.

f) Deferred Expenses

Pre-opening Expenses amortized over 7 years.

3) Inventory

Inventory comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|------------------------------|-------------------|-------------------|
| Raw Materials and Scrap..... | 60,948,156 | 17,925,928 |
| Spare Parts Inventory | 2,967,926 | 872,820 |
| Goods in Transit | 12,501,627 | 3,676,949 |
| Finished Goods | 13,383,121 | 3,936,212 |
| | <u>89,800,830</u> | <u>26,411,909</u> |

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Arab Steel Factory, S.A.E.**4) Accounts Receivables**

Accounts receivable comprise the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|-------------------------------|-------------------|-------------------|
| Suez for Iron Production..... | 28,565,753 | 8,401,692 |
| Counter Steel Co. | 18,939,022 | 5,570,301 |
| Others | 4,189,548 | 1,232,220 |
| | <u>51,694,323</u> | <u>15,204,213</u> |

5) Debtors — Short Term Balances

Debtors — Short Term Balances comprise the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|---|-------------------|-------------------|
| Advance Payments to Purchase Fixed Assets | 5,820,972 | 1,712,051 |
| Tax Authority | 23,325,467 | 6,860,431 |
| Prepaid Expenses..... | 2,554,668 | 751,373 |
| Deposits with Others | 7,752,178 | 2,280,052 |
| Customs Clearance..... | 1,724,578 | 507,229 |
| Others | 8,893,630 | 2,615,774 |
| | <u>50,071,493</u> | <u>14,726,910</u> |

6) Advance payments to suppliers

Advance payments to suppliers comprise the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------------|------------------|-------------------|
| Engineering Company for Pumps | 824,615 | 242,534 |
| Elnasr Trading Company | 1,051,698 | 309,323 |
| Cultex Company | 2,254,789 | 663,173 |
| Merit for Trading and Commerce | 2,936,249 | 863,603 |
| Others | 1,825,468 | 536,902 |
| | <u>8,892,819</u> | <u>2,615,535</u> |

7) Cheques under collection

Cheques under collection as of June 30, 1999 amounted to L.E.17,913,298, represent the amounts due from Allied Investors Insurance Company in respect of loss of profit following machinery breakdown.

8) Cash in hand and at banks

Cash in Hands and at banks comprises the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|--------------------------------|-----------------|-------------------|
| Banks — Current Accounts | 717,006 | 210,884 |
| Cash in Hand..... | 10,180 | 2,994 |
| | <u>727,186</u> | <u>213,878</u> |

Arab Steel Factory, S.A.E.**9) Fixed Assets**

Fixed Assets balance reached the amount of L.E. 228,765,383 represents as follows:

| | Cost as of 30-6-99 | Accumulated Depreciation as of 30-6-99 | Net Value as of 30-6-99 L.E. | Net Value as of 30-6-99 U.S.\$ |
|------------------------------------|-----------------------|--|------------------------------------|--------------------------------------|
| Land..... | 48,997,530 | 0 | 48,997,530 | 14,411,038 |
| Buildings and Constructions | 14,273,250 | 190,311 | 14,082,939 | 4,142,041 |
| Machinery and Equipments | 166,879,261 | 22,406,580 | 144,472,681 | 42,491,965 |
| Office Equipment and Fixtures..... | 859,044 | 96,983 | 762,061 | 224,136 |
| Vehicles..... | 4,821,912 | 1,132,111 | 3,689,801 | 1,085,235 |
| Back House..... | 18,725,277 | 1,964,906 | 16,760,371 | 4,929,521 |
| | <u>254,556,274</u> | <u>25,790,891</u> | <u>228,765,383</u> | <u>67,283,936</u> |

10) Deferred Expenses (Net)

Deferred Expenses (Net) comprise the following:

| | 30-6-99 L.E. | 30-6-99 U.S.\$ |
|------------------------------------|-------------------|-------------------|
| Pre — Opening Expenses (Net) | 20,980,242 | 6,170,600 |
| | <u>20,980,242</u> | <u>6,170,600</u> |

11) Long Term Investments

Long Term Investments amounted to L.E. 124,000,000 represent investments in a new venture, Steel Products Factory, with 35% of total shares.

12) Bonds Interest Accrual

Bonds Interest Accrual as of June 30,1999 amounted to L.E. 14,375,000 represent amounts due to bonds holders accrued after June 30, 1999.

13) Capital

The Authorized and Issued and Paid-up Capital amounted to L.E. 250,000,000 divided into 25,000,000 shares with a par value of 10 per Share.

| Shareholder's Name and Nationality | Percentage of Participation | Number of Shares | Amount 30-6-99 L.E. | Amount 30-6-99 U.S.\$ |
|--|--------------------------------|---------------------|------------------------|--------------------------|
| The Holding Company for Financial Investments (Lakah Group) S.A.E | 97.922% | 24,480,400 | 244,804,000 | 72,001,177 |
| Mr. Ramy Lakah | 0.873% | 218,300 | 2,183,000 | 642,059 |
| Mr. Michel Lakah..... | 0.999% | 249,800 | 2,498,000 | 734,706 |
| Mr. Farouk Abdel Samei | 0.010% | 2,600 | 26,000 | 7,647 |
| Mr. Ramy Mostafa | 0.010% | 2,600 | 26,000 | 7,647 |
| Mr. Samy Toutoungy..... | 0.036% | 9,000 | 90,000 | 26,471 |
| Mr. Farouf Soliman | 0.000% | 50 | 500 | 147 |
| Mr. Hassan Ibrahim Deab..... | 0.000% | 50 | 500 | 147 |
| Mr. Rafik Chehata | 0.008% | 2,000 | 20,000 | 5,882 |
| Mr. Mohamed Sherif Farag | 0.000% | 100 | 1,000 | 294 |
| Mr. Mohamed El sayed El Dabah | 0.000% | 50 | 500 | 147 |
| Mr. Lotfy Laham | 0.000% | 50 | 500 | 147 |
| Mr. Medhat Sobhy | 0.062% | 15,500 | 155,000 | 45,588 |
| Mr. Ramsis Faltas..... | 0.078% | 19,500 | 195,000 | 57,353 |
| | <u>100%</u> | <u>25,000,000</u> | <u>250,000,000</u> | <u>73,529,412</u> |

14) Bonds

Bonds amount to L.E. 250 million with an interest rate of 11% and to be amortized after 7 Years .

15) Taxes:

Arab Steel enjoys a tax holiday of 10 years starting from the first operating year which was 1998.

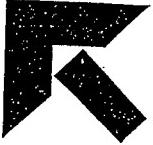
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Accountant's Report

Cherif Mohamed Hammouda

Chartered Accountant

Member of RSM International



To the Board of Directors of
Holding Company for Financial Investments (Lakah Group), S.A.E.

We have examined the accompanying pro forma consolidated balance sheet of Holding Company for Financial Investments (Lakah Group), S.A.E. and its subsidiaries as at December 31, 1998 and the related income statement for the year then ended (the "Statements") in accordance with International Standards on Auditing applicable to prospective financial information. The pro forma balance sheet and income statement are the responsibility of management.

In our opinion, the Statements have been compiled on the basis stated herein and are presented in accordance with International Accounting Standards and consistent with the accounting policies of the company. The adjustments presented in the Statements have been properly applied to the historical amounts in the compilation of those statements.

Cherif Hammouda

FESSA-FIFA-FEST
R.A.A. 14260

9 September, 1999

Accountant's Report

Mostafa Shawki & Co Deloitte & Touche



153 Mohamed Farid St.
Bank Mist Tower
P.O. Box 2095
Cairo 11511

Telephone: (02) 391.7299
(02) 392.6000
Facsimile: (02) 393.9430
Email: mshawki@mshawki.com

To the Board of Directors of
the Holding Company for Financial Investments
(Lakah Group),
S.A.E.

We have examined the accompanying pro-forma consolidated balance sheet of the Holding Company for Financial Investments (Lakah Group S.A.E.) as at December 31, 1998 and the related income statement for the year then ended in accordance with the International Standards on Auditing applicable to prospective financial information. The pro-forma balance sheet and income statement, the attached notes on which they are based, are the responsibility of the management.

The statements have been prepared for illustrative purposes only and, because of their nature may not give a true picture of the financial position or results of the Holding Company for Financial Investments — (Lakah Group S.A.E.).

In our opinion, the statements have been properly compiled on the basis stated herein and are presented in accordance with International Accounting Standards and in compliance with applicable Egyptian laws and regulations and consistent with the accounting policies of the Holding Company for Financial Investments (Lakah Group, S.A.E.) The adjustments presented in the statements are appropriate for the purposes of the pro forma information, and have been properly applied to the historical amounts in the completion of those statements.

Mostafa Shawki & Co
Deloitte & Touche

27 September, 1999

**Deloitte Touche
Tohmatsu**

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS
(LAKAH GROUP), S.A.E.**

**PRO-FORMA CONSOLIDATED BALANCE SHEET
as at December 31, 1998**

| | Consolidation L.E. | Consolidation U.S.\$ |
|---|-----------------------|-------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalent..... | 60,292,576 | 17,733,111 |
| Debtors Short Term Balances (Net)..... | 495,668,877 | 145,784,963 |
| Inventory | 194,697,123 | 57,263,860 |
| Work in Progress..... | 104,770,319 | 30,814,800 |
| Total Current Assets | <u>855,428,895</u> | <u>251,596,734</u> |
| Long Term Assets | | |
| Accounts Receivables — Long Term..... | 167,640,320 | 49,305,976 |
| Long Term Investments | 258,628,063 | 76,067,077 |
| Fixed Assets (Net) | 354,338,029 | 104,217,067 |
| Projects under Construction | 136,506,211 | 40,148,886 |
| Goodwill..... | 252,776,691 | 74,346,086 |
| Deferred Expenses (Net)..... | 34,340,047 | 10,100,014 |
| Total Long Term Assets | <u>1,204,229,361</u> | <u>354,185,106</u> |
| Total Assets | <u>2,059,658,256</u> | <u>605,781,840</u> |
| Liabilities | | |
| Current Liabilities | | |
| Due to Banks..... | 171,858,623 | 50,546,654 |
| Current Portion of Long Term Debt..... | 36,448,677 | 10,720,199 |
| Creditors Short Term Balances..... | 177,951,638 | 52,338,717 |
| Provisions | 22,655,980 | 6,663,524 |
| Total Current Liabilities | <u>408,914,918</u> | <u>120,269,094</u> |
| Long Term Liabilities | | |
| Long Term Loans..... | 197,470,161 | 58,079,459 |
| Bonds..... | 250,000,000 | 73,529,412 |
| Creditors — Long Term Balances | 13,459,153 | 3,958,574 |
| Total Long Term Liabilities | <u>460,929,314</u> | <u>135,567,445</u> |
| Minority Interest in Subsidiary Companies | <u>39,934,024</u> | <u>11,745,301</u> |
| Shareholder's Equity: | | |
| Issued and Paid up Capital..... | 1,149,880,000 | 338,200,000 |
| Total Shareholder's Equity | <u>1,149,880,000</u> | <u>338,200,000</u> |
| Total Liabilities and Shareholders' Equity | <u>2,059,658,256</u> | <u>605,781,840</u> |

Auditor's report attached.

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of
U.S.\$1.00 = L.E. 3.40

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS
(LAKAH GROUP), S.A.E.**

**PRO-FORMA CONSOLIDATED INCOME STATEMENT
for the year ending December 31, 1998**

| | Consolidation L.E. | Consolidation U.S.\$ |
|--|-----------------------|-------------------------|
| Net Sales..... | 649,908,794 | 191,149,645 |
| Less | | |
| Cost of Sales..... | (439,003,194) | (129,118,586) |
| Gross Profit..... | <u>210,905,600</u> | <u>62,031,059</u> |
| Less | | |
| General and Administrative Expenses | 40,239,567 | 11,835,167 |
| Financing Expenses..... | 57,929,846 | 17,038,190 |
| Depreciation and Amortization | 1,495,703 | 439,913 |
| Foreign Exchange Differences..... | 353,010 | 103,826 |
| Provision for Doubtful Accounts..... | 4,997,615 | 1,469,887 |
| Total Expenses | <u>105,015,741</u> | <u>30,886,983</u> |
| Net profit for the period before minority interest and income taxes..... | <u>105,889,859</u> | <u>31,144,076</u> |
| Minority Interest..... | (4,219,614) | (1,241,063) |
| Provision for Income Taxes..... | <u>(15,650,747)</u> | <u>(4,603,161)</u> |
| Net Profit for the Year | <u>86,019,498</u> | <u>25,299,852</u> |
| Earnings per Share..... | <u>0.75</u> | <u>0.22</u> |

Auditor's report attached.

*Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of
U.S.\$1.00 = L.E.3.40*

BOWNE OFFICE EQUIPMENT

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Holding Company for Financial Investments (Lakah Group), S.A.E.**Basis of Preparation**

The statements were prepared on the following basis:

- The audited consolidated financial statements of Holding Company for Financial Investments (Lakah Group), S.A.E. as at and for the year ended December 31, 1998.
- The following transfers of shares of the target companies were made on the terms specified below, and the transfer price was received by the respective transferors, as at January 1, 1998.
- Long Term Investments were reduced by the Total Transfer Price for each company and Cash in Hand and Cash Equivalent was increased by a similar amount.

| Name of Target Company | Name of Transferor | Number of Shares Transferred | Transfer Price EE ⁽¹⁾ |
|---|--------------------|------------------------------|----------------------------------|
| Scandinavian for Investment and Touristic Development — L.t.d.... | Lakah Holding | 391,950 | 39,195,000 |
| Delta Sound Co..... | IIC ⁽²⁾ | 1,000 | 25,000 |
| House of Art..... | IIC | 3,000 | 75,000 |
| Irena for Art Production | IIC | 2,500 | 62,500 |
| First Power..... | IIC | 50,000 | 1,250,000 |
| International Co for Touristic and Real Estate Investment..... | IIC | 20,000 | 1,000,000 |
| Suez Company for Iron Works | IIC | 4,998 | 1,094,452 |

Notes:

(1) Price per share is equal to the paid-in portion of the par value of the relevant shares which was 25 per cent. for all target companies, except for Scandinavian for Investment and Touristic Development — L.t.d. which was fully paid and International Co for Touristic and Real Investment which was paid in as to 50 per cent.

(2) IIC is Industrial Investments Co., S.A.E., formerly Empain for Real Estate Investment.

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ISSUER

Lakah Funding Limited
CITCO Building, Wickams Cay
P.O. Box 662
Road Town, Tortola
British Virgin Islands

GUARANTORS

| | | | |
|---|--|--|----------------------------|
| Holding Company for Financial Investments (Lakah Group), S.A.E. | Medequip for Trading and Contracting, S.A.E. | Trading Medical System Equipment, S.A.E. | Arab Steel Factory, S.A.E. |
| 68, Merghany Street Heliopolis Cairo Egypt | | | |

LOCAL ADVISOR TO THE GUARANTORS

Capex Corp. Financial Services
9 Abdel Moneim Riad Street
Mohandeseen
Cairo 12311
Egypt

TRUSTEE

The Bank of New York
101 Barclay Street, Floor 21W
New York, New York 10286
USA

LEGAL ADVISERS TO THE GUARANTORS

as to Egyptian Law
Hassouna & Abou Ali
2, Abd El Kader Hmza Street
Garden City
Cairo
Egypt

LEGAL ADVISERS TO THE MANAGERS

| | | |
|--|---|--|
| <i>as to New York law</i> | <i>as to Egyptian law</i> | <i>as to British Virgin Islands law</i> |
| Dewey Ballantine 1 Undershaft London EC3A 8LP United Kingdom | Shalakany Law Office 12, Marashly St. Zamalek 11211 Cairo Egypt | Smith-Hughes, Raworth & McKenzie Arawak Chambers P.O. Box 173 Road Town, Tortola British Virgin Islands |

AUDITORS

| | |
|---|--|
| <i>of the Parent Guarantor and the Subsidiary Guarantors</i> | <i>of the Parent Guarantor</i> |
| Cherif Mohamed Hammouda Member of RSM International 67, El-Orouba Street Heliopolis 11361 Egypt | Mostafa Shawki & Co Deloitte & Touche 153 Mohamed Farid Street Bank Mist Tower P.O. Box 2095 Cairo 11511 Egypt |

PAYING AGENT

The Bank of New York, London Branch
1 Canada Square
London E14 5AL
United Kingdom

LISTING AGENT

Banque Internationale à Luxembourg S.A.
69, Route d'Esch
L-1470 Luxembourg
Luxembourg

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The Bank of New York, London Branch
 1 Canada Square
 London E14 5AL
 United Kingdom

LISTING AGENT

Banque Internationale à Luxembourg S.A.
 69, Route d'Esch
 L-1470 Luxembourg
 Luxembourg

